



Quarterly Revenue Update

December 2003



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

➤ **First Half Year Results.** Total revenue collections of \$1.067 billion during the first half of FY04 are 5.4% higher compared the first half of FY04 and on target with the revised estimate for this fiscal year. It is important to note that the County receives collections on a monthly, quarterly, or semi-annual basis. Therefore, in some instances particularly with excise tax collections, payments received at the last day of the month may not be recorded until the next quarter thereby making any comparison meaningless.

➤ **Income Tax.** Collections for the first half of FY04 are \$226.6 million, or \$29.1 million lower (-11.4%), compared to the same period in FY03. The decline in distributions can be attributed to a 2.1% decrease in net taxable income for the County in 2002. That dramatic decline followed a 6.9% decline in 2001 and is primarily due to an estimated 42 percent drop in capital gains and meager employment growth for County residents in 2002. However, with the dramatic turnaround in the stock market in CY2003 and a tax rate increase from 2.95% to 3.20% in CY2004, the decline in income tax collections should begin to abate by the end of this fiscal year.

➤ **Property Tax.** Collections during the first half of FY04 were 7.3% above the first half of last year and on target with the 7.5% growth rate in the revised forecast. The revised forecast was based on an 8% growth in the assessable base due to real property reassessments, reflecting a significant increase in average home prices.

➤ **Transfer and Recordation Taxes.** The strong housing market attributable to increases in home prices, sales volume, and low mortgage interest rates continued to push transfer and recordation taxes to record levels during the first half of FY04. Collections from both taxes were \$112.9 million, an increase of 33.6% over the first half of FY03. The increase in collections to date is also attributable to the Department processing more than 92,000 documents and eliminating a processing backlog during the October-December period. However, without such contributing factors, the rate of increase in revenues experienced during the first half of this year may moderate during the rest of FY04.

➤ **Other Taxes and Highway User Fund.** Collections from County's excise taxes (fuel/energy, hotel/motel, telephone, admissions) were \$30.4 million during the first half of FY04, which were almost double the collections during the same period last year. Most of the increase is attributed to the rate hikes for fuel/energy and telephone taxes enacted by the County Council. Because of an accounting adjustment to the hotel/motel revenue in September, the data suggest that revenues to date are below the same period last year. However, based on cash receipts to date, hotel/motel collections are running approximately 14% above last year's receipts.

➤ **Investment Income.** Because of the accommodative policy of the Federal Reserve during the past year, interest rates on short-term investments have remained at their lowest levels on over forty-four years. Because of such levels, the investment yield has dropped to a record low of 1.15% in December 2003. Because of such low rates, the yield on the County's investments was only 1.10% during the first half of FY04 compared to 1.84% during the first half of FY03. Because of the forty percent decrease in the yield, income from the County's investments was less than half of the amount collected in the first half of last year (\$3.2 million compared to \$6.7 million during the same period in FY03) and on target with our forecast.

**MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2004**

| <u>TAXES :</u> | <i>REPORTING PERIOD</i> | | | <i>VARIANCE FY04 / FY03</i> | <i>PERCENT CHANGE</i> | <i>FY04</i> | | <i>VARIANCE FY03 / FY02</i> | <i>PERCENT CHANGE</i> |
|-------------------------------|-----------------------------|---------------|---------------|---------------------------------|---------------------------|-----------------------------|--------------|---------------------------------|---------------------------|
| | | <i>FY04</i> | <i>FY03</i> | | | <i>REVISED FORECAST</i> | <i>FY02</i> | | |
| INCOME | <i>December</i> | 226,565,608 | 255,621,957 | (29,056,349) | -11.4% | -2.3% | 305,941,617 | (50,319,660) | -16.4% |
| PROPERTY | <i>December</i> | 686,155,143 | 639,191,253 | 46,963,890 | 7.3% | 7.5% | 576,514,520 | 62,676,733 | 10.9% |
| TRANSFER | <i>December</i> | 54,417,843 | 44,197,250 | 10,220,593 | 23.1% | 3.0% | 39,144,132 | 5,053,118 | 12.9% |
| RECORDATION | <i>December</i> | 58,480,079 | 40,336,895 | 18,143,183 | 45.0% | 3.1% | 24,303,299 | 16,033,596 | 66.0% |
| FUEL/ENERGY | <i>December</i> | 15,682,399 | 6,997,973 | 8,684,426 | 124.1% | 171.6% | 6,192,370 | 805,603 | 13.0% |
| HOTEL/MOTEL | <i>December</i> | 5,418,316 | 5,632,726 | (214,409) | -3.8% | 8.5% | 4,229,428 | 1,403,298 | 33.2% |
| TELEPHONE | <i>December</i> | 8,316,965 | 1,748,515 | 6,568,450 | 375.7% | 371.5% | 1,872,697 | (124,182) | -6.6% |
| ADMISSIONS | <i>December</i> | 988,155 | 1,176,226 | (188,072) | -16.0% | 2.9% | 1,067,489 | 108,738 | 10.2% |
| <u>MISCELLANEOUS :</u> | | | | | | | | | |
| INVESTMENT INCOME | <i>December</i> | \$3,169,726 | \$6,670,966 | (3,501,240) | -52.5% | -57.0% | \$12,514,730 | (5,843,764) | -46.7% |
| HIGHWAY USER | <i>December</i> | 8,037,787 | 10,741,158 | (2,703,371) | -25.2% | -25.8% | 10,636,428 | 104,730 | 1.0% |
| <u>TOTAL</u> | | 1,067,232,021 | 1,012,314,920 | 54,917,101 | 5.4% | 5.5% | 982,416,710 | 29,898,210 | 3.0% |

January 15, 2004